

# Fresh Facts on Retail

## Whole and Fresh Cut Produce Trends: Q4 2008

Along with every other retail business, the economy is having an effect on sales within the produce department at supermarkets across the U.S. The fact that consumers' shopping habits are changing may not surprise you, but exactly how they're changing might be different than expected. Find out in this edition of **Fresh Facts on Retail**, reporting data from the fourth quarter of 2008 (September 28 through December 27).

The United Fresh Produce Association has partnered with Del Monte Fresh Produce and the Perishables Group to develop this quarterly report – **Fresh Facts on Retail** – to track retail produce sales and performance. Each issue reports on overall produce sales trends, top-line data on the top 10 fruit and vegetable commodities, details on growth in value-added produce, and performance tracking for new produce merchandising opportunities in prepared foods, deli and organics. We also spotlight a category each quarter, focusing on specific developments of interest during the latest 13 weeks.



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### About the Measures

#### *Total Volume*

Total pounds or units sold during the given time period

#### *Total Dollars*

Total dollar sales for the given time period

#### *Average Retail Price*

Total dollars divided by total volume

#### *Percent Change versus Q4 2007*

Percent difference between the current year versus the same time period a year ago

## Total Produce Sales Nationwide

Looking at produce performance, care must be taken when evaluating year to year sales data. Crop fluctuations, quality, storage levels, seasonality, cost of transportation and other factors can all play significant roles in driving category performance. Gains or losses in volume and dollars may reflect shifts in production and supply more than shifts in consumer demand.

In total, produce departments in supermarkets nationwide turned in a modest increase of 2.3% in average weekly dollar sales per store in Q4 2008. However, the dollar gains were driven almost exclusively by retail price increases. Higher prices often allow dollar sales to post growth despite a loss in volume sales. And while average retail prices continued to rise across produce in Q4, up 6.1 percent, they did so at a slower rate than in the previous quarter, Q3 2008.

Remarkably, volume declines occurred in almost every category during Q4. Within the top 25 produce categories, which account for nearly 90% of all produce department sales, only three categories increased volume in Q4 2008 compared to Q4 2007. Conversely, 22 categories had a higher average retail price. This data points to a widespread shift in purchases by consumers.

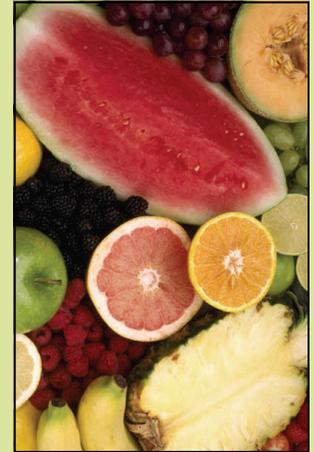
While total produce volume declined 3.6 percent, it is not clear if the loss was a result of consumers' response to increased retail prices or of changing consumer purchase patterns (shifting from fresh to frozen, for example). What is clear is that consumers purchased fewer fresh fruits and vegetables from supermarkets in Q4 2008 compared to the same period in 2007.

Product	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007	Average Retail Price	Percent Change versus Q4 2007
Produce	\$36,383	2.3%	25,276	-3.6%	\$1.44	6.1%
Vegetables	\$18,290	2.6%	12,785	-4.1%	\$1.43	6.9%
Fruits	\$14,899	2.0%	11,184	-3.0%	\$1.33	5.2%
Other Produce	\$3,194	2.4%	1,307	-3.6%	\$2.44	6.2%

# Top Ten Commodity Trends

## Top Ten Fruits

Product	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007	Average Retail Price	Percent Change versus Q4 2007
Apples	\$2,894	1.6%	1,874	-8.1%	\$1.54	10.5%
Bananas	\$2,316	18.0%	3,596	-2.1%	\$0.64	20.5%
Citrus	\$2,154	-7.2%	1,862	-9.6%	\$1.16	2.6%
Grapes	\$2,094	-2.2%	1,091	15.4%	\$1.92	-15.2%
Berries	\$1,720	9.1%	580	14.7%	\$2.97	-4.9%
Prepared Fruits	\$1,201	-5.9%	437	-5.5%	\$2.75	-0.4%
Avocados	\$623	7.2%	502	4.4%	\$1.24	2.6%
Pears	\$506	-6.9%	350	-13.6%	\$1.45	7.7%
Specialty Fruits	\$419	-4.6%	327	-15.6%	\$1.28	13.1%
Melons	\$407	-4.4%	316	-16.3%	\$1.29	14.2%



With the fall harvest, apples made their traditional Q3 move from the No. 5 ranked fruit in the summer months to the No. 1 fall fruit in Q4. Since supply increased with a larger than expected harvest, FOB prices fell. However, the 10.5 percent increase in average retail price suggests these FOB price changes were not reflected in prices at retail. Banana retail prices continued to show an increase since summer; but for the first time in months, bananas showed negative volume growth compared to the previous year. Berries' larger volume growth than dollar growth, coupled with lower retail prices, indicate consumers started purchasing berries at a faster rate as berry prices fell. Also fueling berry growth were blueberries, which retailers carried in significantly more stores in Q4 2008 compared to Q4 2007, due in part to blueberries' growing popularity among consumers.

## Top Ten Vegetables



Product	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007	Average Retail Price	Percent Change versus Q4 2007
Potatoes	\$2,927	21.7%	4,183	-2.1%	\$0.70	24.3%
Packaged Salad	\$2,557	-0.2%	923	-6.1%	\$2.77	6.4%
Tomatoes	\$2,185	-9.7%	864	-7.7%	\$2.53	-2.1%
Cooking Vegetables	\$1,736	-1.6%	1,072	-5.8%	\$1.62	4.4%
Onions	\$1,476	3.8%	1,468	-3.9%	\$1.01	8.0%
Lettuce	\$1,274	3.1%	707	-0.9%	\$1.80	4.1%
Carrots	\$1,031	-2.0%	593	-5.6%	\$1.74	3.8%
Peppers	\$996	6.3%	465	-1.3%	\$2.14	7.7%
Prepared Vegetables	\$811	-1.3%	268	-7.9%	\$3.03	7.1%
Mushrooms	\$743	1.5%	305	-2.7%	\$2.43	4.3%

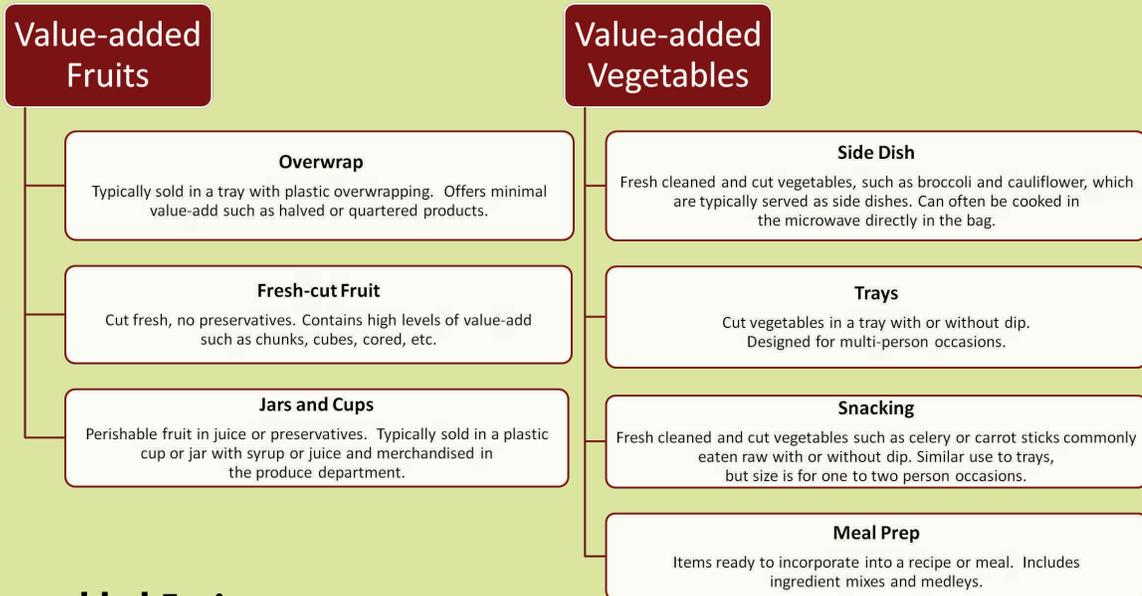
In Q4 2008, potatoes sold almost double the quantity sold in Q3, but still sold 2.1 percent less volume compared to Q4 2007. Dollar sales increased more than 20 percent for potatoes, due in part to a 24.3 percent increase in average retail prices. However, potatoes are still one of the most affordable vegetables, making them attractive to consumers regardless of the recent increases in retail prices. Packaged salads increased prices 6.4 percent and lost volume sales at nearly the same rate, down 6.1 percent compared to Q4 2007. Lettuce volume also decreased, but was down less than 1 percent, suggesting consumers' continued desire for leafy greens outweighed economic constraints, as some shoppers likely traded packaged salads for whole heads of lettuce. Volume declines in prepared vegetables were also likely linked to the economy, as this category had the highest average retail price of all vegetable categories. In Q4, prepared vegetables had large declines in volume compared to the previous year.



# Value-added Fruits and Vegetables

While consumers continue reacting to constrained budgets, a number of value-added produce items are feeling the pinch. The Q4 dollar and volume totals indicate some key consumers are trading down from convenient value-add products in the fresh space to the conventional counterparts.

*Note: Packaged salads are not included in value-added produce. Due to their extreme popularity and high sales, packaged salads are considered an independent category within the produce department. Packaged salad information is located in the Top Ten Vegetables section on page 2.*



## Value-added Fruits

Value-added Fruit	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007	Average Retail Price	Percent Change versus Q4 2007
Total	\$1,143	-6.5%	406	-6.0%	\$2.81	-0.5%
Fresh Cut Fruit	\$857	-8.6%	207	-10.2%	\$4.15	1.8%
Jars & Cups	\$148	7.9%	84	10.5%	\$1.75	-2.3%
Overwrap	\$139	-6.7%	115	-8.4%	\$1.20	1.8%

Value-added fruits lost approximately 6 percent of dollars and volume compared to Q4 2007. Jars and cups were the only value-added fruit category to increase dollar and volume sales and decrease prices.

Looking at quarter on quarter trends, from Q3 to Q4 2008, overwrap fruit lost more than half its sales and dropped to the No. 4 rank in value-added fruits.



## Value-added Vegetables

Value-added Vegetables	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007	Average Retail Price	Percent Change versus Q4 2007
Total	\$833	-4.9%	252	-10.1%	\$3.31	5.7%
Side Dish	\$394	-5.3%	131	-12.4%	\$3.00	8.1%
Trays	\$212	-7.3%	22	-7.9%	\$9.63	0.6%
Meal Prep	\$139	3.9%	62	-2.2%	\$2.24	6.3%
Snacking	\$88	-10.0%	37	-14.7%	\$2.41	5.6%

Value-added vegetable sales increased from the previous quarter, Q3 2008, but not compared to the previous year, Q4 2007.

Retail prices continued to grow across value-added vegetables. Again compared to Q3, meal prep was the only category to show an increase in sales, with dollars up 3.9 percent.

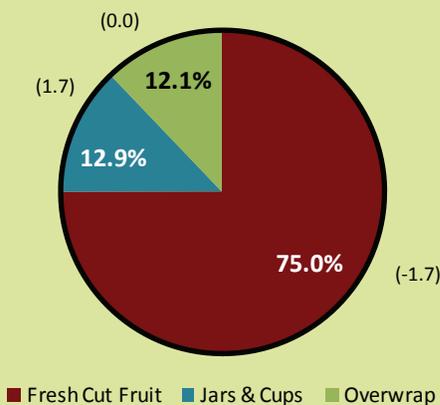


# Value-added Fruits and Vegetables

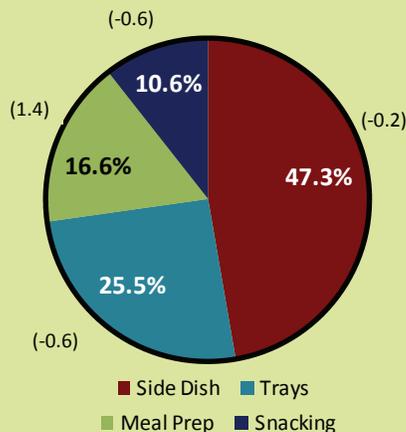
## Category Contribution

Overall, share makeup for value-added fruits and vegetables remained the same, but fruits experienced a more dramatic shift in share than vegetables.

### Value-added Fruits Dollar Share of the Category



### Value-added Vegetables Dollar Share of the Category



Fresh cut fruit had a direct share trade-off with jars and cups since Q4 2007. Fresh cut fruit lost 1.7 share percentage points to jars and cups, possibly due to jars and cups' lower retail prices than fresh cut fruit. Overwrap fruit remained at 12.1 percent share.

Value-added vegetable share remained relatively consistent. Meal prep increased the most, up 1.4 share percentage points to 16.6 percent. Trays and snacking vegetables made up the majority of the share losses, each down 0.6 share percentage points.



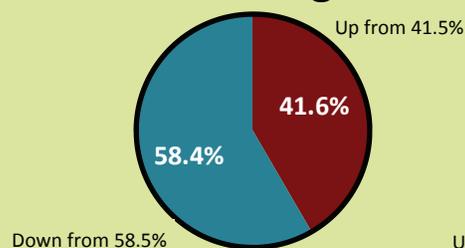
Value-added vegetables increased share compared to Q4 2007 in every region except the East, where vegetables lost 1.4 share percentage points to fruits, bringing value-added fruits' total share to 55.1 percent. The West region posted the largest share change compared to Q4 2007. Fruits lost 1.8 share percentage points to vegetables, bringing fruits' share to 46.3 percent, the lowest share of any region.

While the West region had the largest share of value-added vegetables, fruit owned the largest share in the South with 66.1 percent of all value-add produce sales.

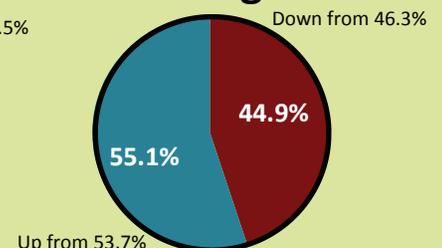
## Value-added Produce By Region Share of the Category

■ Value-added Vegetables ■ Value-added Fruits

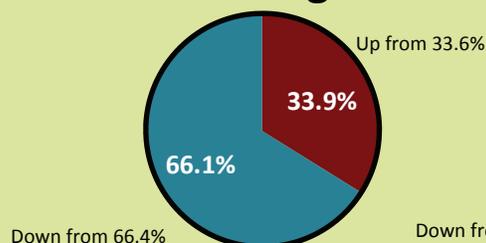
### Central Region



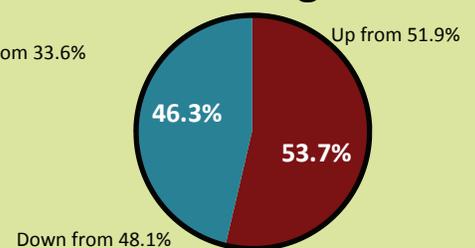
### East Region



### South Region



### West Region



# Merchandising Opportunities

## Top Five Produce Items Sold in the Deli

Product	Product Category	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007
Deli Salad Bar	Deli Salads	\$402	0.5%	84	-8.3%
Potato	Deli Sides	\$146	8.0%	50	5.3%
Other Lettuce Salads	Deli Salads	\$137	-1.8%	28	-3.6%
Cole Slaw	Deli Salads	\$113	7.5%	41	-0.6%
Vegetable Salad	Deli Salads	\$55	1.6%	12	2.4%



Coinciding with the growing popularity of deli-prepared foods, deli salad products continued to represent the top produce items sold within the fresh space, but outside of the produce department. The deli salad bar held its No. 1 ranking with \$402 per store per week, up 0.5 percent in dollar sales and down 8.3 percent in volume. Potato side dishes, the only non-deli salad item within the top five, and deli vegetable salads were the only two items within the top five to increase dollars and volume in Q4 2008 compared to Q4 2007. Since Q3 2008, cole slaw and potato side dishes switched rankings, with cole slaw dropping to the fourth slot and potatoes rising to No. 2.

## Organic Fruits and Vegetables

Organic Product	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007	Average Retail Price	Percent Change versus Q4 2007	Contribution to Total Fruit/Vegetables	Contribution to Total Produce
Vegetables	\$994	8.9%	408	0.3%	\$2.44	8.5%	5.4%	2.7%
Fruits	\$510	5.4%	262	5.6%	\$1.95	-0.1%	3.4%	1.4%

While conventional produce sales fell, organic sales remained steady. Organic fruit volume increased by 5.6 percent, while conventional fruit lost 3 percent. Organic vegetables' volume was essentially flat compared to Q4 2007, while conventional vegetables declined by 4.1 percent. Organic vegetable prices increased by 8.5 percent compared to Q4 2007, driving dollars up by nearly 9 percent. Organic fruit prices were flat, but volume increases drove dollars higher.

## Top Five Organic Fruits

Looking at the top organic fruit and vegetable items, the impact of rising prices on sales is evident. For berries, apples, citrus and tomatoes, average retail prices remained flat; therefore dollar and volume growth was generally aligned. Bananas, packaged salads and lettuce increased retail prices by approximately 10 percent; in response, dollar sales increased at a faster rate than volume sales. Berries and tomatoes, the highest priced organic items in their respective categories, were the only two organic produce items within the top five to decline in dollars and volume.

Organic Product	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007	Average Retail Price	Percent Change versus Q4 2007
Berries	\$158	-10.2%	43	-12.8%	\$3.64	3.0%
Apples	\$137	17.1%	69	16.0%	\$1.97	1.0%
Bananas	\$79	22.8%	88	11.1%	\$0.89	10.5%
Grapes	\$52	6.0%	17	-1.9%	\$3.04	8.0%
Citrus	\$23	10.1%	11	10.3%	\$2.06	-0.2%

## Top Five Organic Vegetables

Organic Product	Weekly Dollar Sales per Store	Percent Change versus Q4 2007	Weekly Volume per Store	Percent Change versus Q4 2007	Average Retail Price	Percent Change versus Q4 2007
Packaged Salad	\$320	8.9%	77	-0.5%	\$4.14	9.4%
Carrots	\$157	4.8%	79	0.0%	\$1.97	4.8%
Lettuce	\$114	16.8%	34	6.9%	\$3.32	9.2%
Onions	\$84	1.7%	84	-4.8%	\$1.00	6.7%
Tomatoes	\$71	-4.8%	16	-6.9%	\$4.29	2.3%



# Category Spotlight

## 2008: A Year in Review

The Category Spotlight in each issue of **Fresh Facts on Retail** reports on hot-topic categories in the fresh sector, examining trends, changes and the resulting impact. This category spotlight takes a broader look at produce performance throughout 2008.

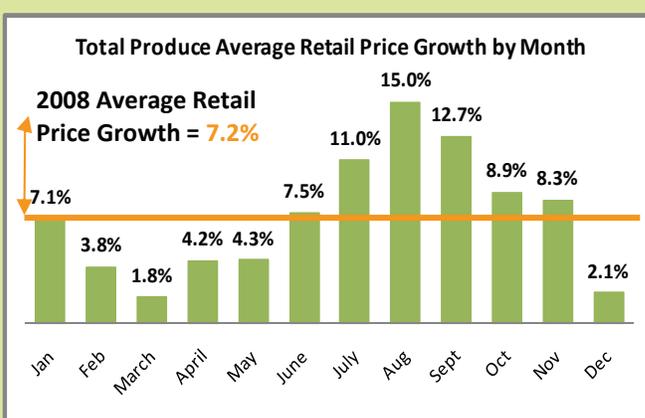
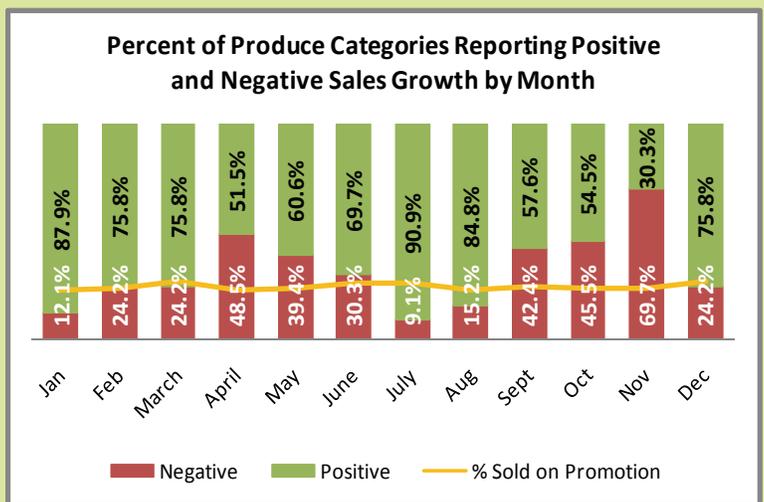
Within the last year, a new president was elected, the U.S. acknowledged our economy was in recession, and gas prices went from \$1.80 to \$4.80 and back to \$1.80. These matters, as well as many more, contributed to the resurgence of private label items, the creation of groceries for gas programs and SKU consolidation across departments. Retailers felt enormous pressure from consumers to reduce prices, but rising input costs meant choosing between losing sales or losing margin. With so many variables in play, it's interesting to look back on how produce sales were affected through it all.

Looking across the year, category growth within fruits and vegetables varied. Peppers, berries and bananas were the only categories to post positive growth every month of 2008. On the other end of the spectrum, onions lost sales 10 months in 2008, while grapes, melons and pears posted negative growth in eight months.

July was the best month for produce sales nationally, with more than 90 percent of the 33 categories posting sales growth compared to July 2007. April and May each posted less optimistic numbers, with respectively almost 50 and 40 percent of categories losing sales compared to the previous month. While July and August sales were healthy and growing, the shopping habits of consumers seemed to shift dramatically in September.

Of the 33 produce categories examined in this report, nearly half lost sales in September and October. These losses may have been related to the announcement of an official U.S. recession. November was the hardest hit month for produce, as almost 70 percent of the department lost sales. Sales in December bounced back, which could be accredited to the election of a new president and the traditional lift generated by the holiday season.

Interestingly, throughout this rollercoaster of a year, the percent of sales sold on promotion remained consistently around 25 percent.



Pricing was a primary concern from one end of the supply chain to the other. The nation averaged 7.2 percent higher retail prices for produce throughout 2008. March, December and February posted the smallest increases in prices throughout the year, with 1.8 percent, 2.1 percent and 3.8 percent respectively. Produce prices increased the most in August, with 15 percent growth - more than double that of the 2008 average.

Nine produce categories increased prices every month of 2008, including apples, bananas, mushrooms, packaged salads, pears, potatoes, radishes, specialty fruits and sprouts. Onions, with the most number of months reporting sales losses of any produce category, also lowered retail prices the most throughout 2008, down eight of 12 months.

Much remains to be seen of economic factors and their effects on consumer spending changes as we proceed through 2009.



# Additional Resources & Events

## ***United Fresh Las Vegas 2009***

The 2009 United Fresh show will take place April 21-24 at the Sands Mega Center in Las Vegas, NV. The focus of this year's convention is **Produce Innovation, Fresh Meals and Technology Solutions**. United Fresh 2009 will showcase the most innovative produce our industry has to offer, along with the fast-growing concept of the fresh -prepared meals segment. United Fresh 2009 will also feature the tools and technologies needed to produce these fresh quality fruit and vegetable items, and save produce industry members' time and money. The 2009 show will feature a full array of education both on and off the show floor, along with unsurpassed social and networking events with fellow industry members. More information can be found at [www.unitedfreshshows.org](http://www.unitedfreshshows.org).

## ***NEW! Global Conference on Produce Food Safety Standards***

Immediately following the United Fresh 2009 convention in Las Vegas, the United Fresh Research & Education Foundation is hosting a new Global Conference on Produce Food Safety Standards to tackle the critical issues of produce industry audits and harmonization. In this new post-show conference you will compare food safety audits, analyze auditing systems, learn how to ensure compliance, examine safety standards and more. This post-convention event takes place April 24-25, 2009.

## ***USDA Produce Inspection Training Program***

This multi-day training course that focuses on USDA inspection procedures, policies and standards, is held at the USDA Training Center in Fredericksburg, VA. Two more courses are available in 2009: June 1-5, 2009 and September 21-25, 2009.

Member Price: \$1875

Non-Member Price: \$2275

## ***"Training for a Recall, Communicating Under Fire" Course***

This two-day training program will help you understand the fundamentals of a product recall, including your rights and responsibilities, the role of the FDA and how to limit your liability and manage customer expectations. Two courses will be held in 2009: May 27-28, 2009 in Salinas, CA and October 28-30, 2009 in West Palm Beach, FL.

Member Price: \$895

Non-Member Price: \$1195

## ***Washington Public Policy Conference***

United Fresh's annual Washington Public Policy Conference (WPPC) is the produce industry's largest gathering to take action on key policy issues. This annual conference brings together hundreds of produce leaders from all sectors of the industry to interact personally and share ideas with Administration officials, congressional leaders, and industry colleagues. Mark your calendar for the 2009 Washington Public Policy Conference, September 9-11, 2009.

**Visit [www.unitedfresh.org](http://www.unitedfresh.org) for more information or contact the  
United Fresh Member Services Department at 202-303-3400.**

# Fresh Facts on Retail

Whole and Fresh Cut Produce Trends: Q4 2008



The United Fresh Research & Education Foundation is a 501(c)(3) not-for-profit organization that offers specialized programs and research to promote knowledge, leadership and growth in the produce industry. The Foundation is an affiliate organization of the United Fresh Produce Association, the pre-eminent trade association for the produce industry in managing critical public policy issues; shaping legislative and regulatory action; providing scientific and technical leadership in food safety, quality assurance, nutrition and health; and developing educational programs and business opportunities for members to better meet consumer needs for increased consumption of fresh produce. Founded in 1904, United Fresh represents the interests of member companies from small family businesses to the largest international corporations throughout the global fresh produce supply chain, including growers, shippers, fresh-cut processors, wholesalers, distributors, retailers, foodservice operators, industry suppliers and allied associations.

For more information, visit [www.unitedfresh.org](http://www.unitedfresh.org).

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The Perishables Group is an independent consulting firm focused on innovation and creating value for clients in the fresh food industry. Our expertise includes category development, supply chain management, activity based costing, research and marketing services.

## About Perishables Group Data in Fresh Facts on Retail

The data for **Fresh Facts on Retail** was gathered by the Perishables Group for Q4 2008 (September 28 through December 27). The data represents approximately 62 percent of all commodity volume (ACV) supermarket share, meaning the Perishables Group receives and reports data from stores that represent approximately 62 percent of all dollar sales for every supermarket selling \$2 million annually or more (per store), or approximately 13,000 supermarkets nationwide. The data does not include sales from Walmart, club stores, small independent chains or alternative format retailers such as Whole Foods and Trader Joe's. The data includes all produce items sold by UPC (standard supplier-assigned bar code), random-weight (price per pound) and system 2 (non-standard retailer-assigned bar code).

For questions about this report, please contact Tracy Kreuser at the Perishables Group: 773.929.7013 or [tracy@perishablesgroup.com](mailto:tracy@perishablesgroup.com).

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